Harvey & Thompson Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

Registered number: 02636684

Harvey & Thompson Limited
Annual Report and Financial Statements for the Year Ended 31 December 2022

Harvey & Thompson Limited
Officers and Professional Advisers

Directors:	**Non-Executive**	
	P D McNamara (Resigned 1 April 2023)	
	J F Thornton	
	M J Smith (Resigned 12 May 2022)	
	E F Draper (Resigned 12 May 2022)	
	Executive	
	C D Gillespie	Chief Executive
	D E Giddy	Chief Financial Officer
	M P Harrold	Operations Director

Registered Office

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Bankers
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Independent Statutory Auditor
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Harvey & Thompson Limited
Strategic Report

The Directors present their Strategic report for Harvey & Thompson Limited ("the Company") for the year ended 31 December 2022, in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Company is a private company limited by shares, incorporated in the United Kingdom.

Strategy

The Company's strategy is to serve a customer base whose access to mainstream credit is limited and for whom small-sum loans can help to address short-term financial challenges. We are a cash generative business, well placed for growth through product diversification and investment in our store estate and digital strategy.

Our Vision: "We strive to make pawnbroking a more widely accepted and valued financial service. We will continue to invest in our store estate and digital footprint to deliver a service that exceeds customers' expectations, whilst delivering attractive returns for shareholders".

The Company is a community-based business trusted by customers for over 125 years.

Review of operations

The Company is a wholly owned subsidiary in the group headed by H&T Group plc and operates as the main trading company of the Group.

The Company achieved profit before tax of £19.4m (2021: £10.2m excluding non-recurring expense of £2.1m), a robust result underpinned by strong segmental contributions and a high quality of earnings, showing the underlying resilience of the business.

Pawnbroking

A pawnbroking loan is a secured loan with a term of six months. We lend to our customers against the assessed value of the item they wish to pledge, which is typically pre-owned jewellery or watches. We conclude a consumer credit agreement with the customer, charging a daily interest, allowing customers to repay their loan at a timing of their choice and only pay interest for the period for which they use the loan. Customers are always only liable to us for the amount of their loan and has no liability beyond the value of the goods.

Borrowing demand by individuals and business owners returned through 2022. This is in part as a result of economic conditions and in particular, the impact of inflation on disposable incomes. This borrowing need has returned at a time of significantly constrained supply of small-sum, short-term credit. The overwhelming majority of H&T's pawnbroking loans are for a small sum – typically c. £200 – and are for a contractual term of six months. This market dynamic has created a growth opportunity for pawnbroking and, as the market leader, for H&T in particular. Aggregate lending for the year increased by over 52% to £218m (2021: £143m), with the number of loans granted to customers borrowing from H&T for the first time rising significantly. Currently, over 13% of loans are to new borrowers, with new customer volumes up over 40% year-on-year.

The pledge book grew in the year by over 50% to £100.7m (2021: £66.9m). Growth has been delivered across the whole of the store estate, with a slightly higher level of growth in our more Northerly stores, and in particular, in the c. 70 stores acquired in 2019.

Redemption rates have been consistent at c. 85% and remain above pre-pandemic norms. Loan duration has been stable through 2022 at 97 days, albeit it there has been a trend over the past two years for customers to repay their loans more quickly than historic averages of nearer 108 days. It is possible that in future, average duration may rise as a result of the impact of inflation on borrowers' disposable incomes and hence, reduce their propensity to repay their loan early.

Loan to value ratios continue at c. 65% (2021: c. 65%) with an average loan size of £405 (2021: £339). The median lending value remained stable at £185 (2021: £175). We have seen a normalisation of demand across the spectrum of loan sizes, with a growing number of requests for larger value loans. As expected, this has resulted in a moderation of the risk adjusted yield to historic levels, which at c. 61% is in line with the risk adjusted margin reported at the half year.

We have seen growth in the proportion of our lending where the pledged asset is a high-quality watch. Watch lending now represents c. 15% (2021: c. 12%) of the loan book.

Retail

H&T is a leading retailer of high quality new and pre-owned jewellery and watches.

The Company is currently ranked as the sixth largest jewellery and watch retailer in the UK (source: www.professionaljeweller.com).

Retail sales increased by 25% to £45.2m (2021: £36.2m). Gross profits were up 7.2% to £17.8m (2021: £16.6m) with, as expected, gross margin moderating to 39.3% (2021: 45.9%). The reduction in the gross margin is as a result of changing sales mix between new and pre-owned items, along with dynamic pricing and inventory management. Sales of pre-owned watches have been particularly buoyant, representing 16% of total sales by value at an average retail price of c. £1,000.

Sales of new products represented 22% (2021: 16%) of total sales by value. Supply of some popular pre-owned product lines remains constrained, and demand has instead been satisfied through the sale of new items. As the growing pledge book yields an increasing volume of pre-owned items which are deemed suitable for retail sale, we expect the need to supplement retail stock with new, lower margin items to reduce, and hence the proportion of pre-owned sales to increase.

Online sales increased by c. 26% to £5.9m, after adjusting for returned items and refunds (2021: £4.7m). This represents 13% (2021: 13%) of total sales by value, with almost half of these sales viewed in store by the customer prior to completing their purchase.

Our online offering has been enhanced through the year, with a new website platform in development for expected roll out in the first half of 2023.

Total inventory of £35.0m (2021: £28.4m) was held as at 31 December. The value of watches in the process of repair as at December had increased to c. £4m (2021: £1.7m), as a result of increased volumes and parts supply pressure across the industry. In addition, demand by consumers to sell their gold items is a contributor to the increase in inventory, along with higher quantities of pledged items released from the growing pawnbroking book. To address this, we are investing in further capacity at our processing centre, with an additional facility coming on stream in the first half of 2023. In the meantime, we have focused on processing our inventory as efficiently as possible in order that the c. 40% which is deemed suitable for retail sale, is made available to our retail platforms as quickly as possible.

Retail inventory as at the end of December amounted to c. £25m at cost (2021: £21.4m).

Foreign Currency

Foreign currency revenues have fully recovered to pre-pandemic levels as demand for overseas travel continues to gather momentum. Average transaction values reduced by approximately 10% year-on-year, to £390 (2021: £430) evidencing, we believe, careful holiday budgeting by consumers.

Gross profit rose to £5.7m (2021: £3.0m), an increase of 90%. The provision of foreign currency services has been identified as a future growth opportunity for the Company and is receiving increased focus and investment.

Gold Purchasing and Scrap Gold Purchasing

Customers can access funds by choosing to sell items, mainly pre-owned jewellery and watches, to us rather than to use the items as a pledge for a pawnbroking loan. This is a fast and easy process that can be concluded both in store and online. The online portal allows our customers to complete an application form and receive a quote quickly.

Gross profit earned from scrap purchasing was £6.8m (2021: £3.4m), an increase of 100%. Margins improved to 19% (2021: 17%) supported by a strong gold price, whilst both the gold price and the impact of inflation on customers' disposable income has underpinned increasing demand. The average gold price per troy ounce during the period was £1,450 (2021: £1,308).

Personal Lending

The Company no longer offers an unsecured lending product. Lending volumes reduced significantly after Q4 2019, and all lending ceased in early 2022. The unsecured loan book has since continued to receive repayments, and corresponding impairment provisions have been released. The outstanding book has reduced to £0.7m (2021: £3.1m) with revenues earned reducing to £2.1m (2021: £4.3m) as the underlying book repays.

Pawnbroking Scrap

As the pledge book grows and matures, the volume of items released for retail sale or scrap rises commensurately. Typically, c. 60% of such items are processed for scrap. Pawnbroking scrap has a longer conversion cycle – usually 10 to 11 months after the date of the original loan – than purchased items. Gross profit grew by 75% to £3.5m (2021: £2.0m), with gross margin of 19% (2021: 18%). Margin was impacted by a decision to dispose of, by auction, a small number of higher-value jewellery items and watches which had been held in inventory for some time, and where the cost of repair was deemed uneconomic.

Other services

Other services principally comprise trading activities of money-transfer, and cheque cashing.

Money transfer activity drives significant footfall to our store estate and represents an opportunity for colleagues to bring customers' attention to our wider service offering. Contribution in the year increased to £1.5m (2021: £1.3m) reflecting higher transaction volumes, particularly of inbound transfers.

2022 saw an increase in demand for our cheque-cashing service for the first time in several years, following the decision by some local authorities and government departments to issue cost-of-living support payments by cheque. Consequently, contribution in the year increased to £1.2m (2021: £1.1m) despite the systemic decline in the use of cheques in the wider economy.

Key Performance Indicators

Financial highlights (£m unless stated)	**2022**	**2021**	**Change %**
Gross profit	101.7	76.4	**33%**
Operating profit	21.0	9.4	**123%**
Adjusted Profit before Tax *	19.4	10.2	**90%**
Reported Profit before tax	19.4	8.1	**140%**
Key performance indicators			
Net Pledge book (including accrued interest)	£100.7m	£66.9m	**51%**
Pawnbroking revenue less impairment	£51.0m	£37.3m	**37%**
Retail Sales	£45.2m	£36.2m	**25%**
Retail gross profits	£17.8m	£16.6m	**7%**
Personal loan book	*£0.7m*	*£3.1m*	**(77%)**
Personal loan revenue less impairment	£2.1m	£4.3m	**(51%)**
Net assets	£136.3m	£120.0m	**14%**
Number of stores	267	257	**4%**

(*) Before non-recurring expense for cost of redress

The balance sheet evidences a strong net asset position of £136.3m (2021: £120.0m), comprising primarily the pawnbroking pledge book of £100.7m (2021: £66.9m), retail stock of £25.0m (2021: £28.4m) and cash and bank balances of £11.7m (2021: £17.6m).

The Company ended the year with an overall net debt position of £2.8m (2021: Net cash position of £17.6m) as the Company funded organic and inorganic growth opportunities. The Company's financing facilities were renewed on 22 December 2022 to comprise a combination of a £30m three-year revolving credit facility with the option to extend to a maximum period of five years (previously £15m with a maximum period of four years) and a £5m overdraft facility (previously £20m). We believe this revised structure supports the growth ambitions and expected borrowing needs of the Company.

Regulation – FCA S.166 Review

The provision raised in 2021 for the implementation of the customer redress programme, following the regulatory review of our, now closed, High Cost Short Term loans business, was disclosed separately as a non-recurring expense in the 2021 results, and has been utilised during the course of the year as redress payments have been made to customers. The remaining provision available for future redress payments as at 31 December 2022 was £0.4m (2021: £2.1m). Over 80% of eligible customers have received redress to date, with the programme continuing.

Strategic Initiatives and Outlook

With continued investment in scale and capabilities, along with broadening our business in the context of wider macro-economic factors, we believe that the Company has an opportunity for significant growth in the medium term. This applies across our product offering. Our focus is to ensure that the Company is well positioned to take advantage of these growth opportunities. Our priorities are:

Store Estate

We believe that our stores, and our outstanding colleagues, are and will remain at the heart of our business. There are opportunities to expand the geographic coverage of our store network and we are investing both in new store openings and in refreshing existing stores. We added eleven new stores during 2022, with one closure. Two further stores have been added since the year end, bringing the total number of stores to 269. We have a prioritised list of potential locations throughout the UK. Further openings are planned for the remainder of the year and beyond, with the capital investment of a new store being relatively modest and an expectation that new stores will become profitable, on a run-rate basis, no later than their second year of operation.

Digital Strategy and Customer Journey

A new Point of Sale (PoS) system, known as EVO, was successfully deployed across the store network in the second half of 2022 as planned. Further functionality enhancements will be implemented through 2023. In addition, phase 2 of the development will bring the new system to our jewellery processing centre, which along with additional capacity, is expected to significantly improve productivity. EVO will revolutionise customers' experience in stores whilst providing us with improved data and a single view of the customer relationship across all products. This will support more effective and better targeted marketing communications and merchandising.

We will significantly improve and enhance our online presence. We have started with the investor relations portal which has recently been refreshed, and the customer facing websites and our social media presence are both in the process of being upgraded. This will be an ongoing process of continual evolution. Our aim is to further modernise the functionality, and the look and feel. We intend to make it easier for customers to do business with us through the channel they choose.

Broadening our Business

On 1st July 2022, the Company completed the acquisition of Swiss Time Services Limited. This is an exciting opportunity for us to bring exceptional watch expertise in-house and broaden the range of services we can offer to customers. Watches represent a growing part of the business and a further growth opportunity. Watches currently represent 15% of pledge lending and 16% of retail sales by value. We believe that by enhancing our capabilities in this area, we can further develop this line of business. We will, in 2023, trial a "care and repair" service for customers, for which we believe there will be significant appetite.

In 2019, the Company acquired a portfolio of over 70 stores and pledge books, the integration of which has been very successful. These stores are growing at a rate above that of the wider H&T store estate, particularly in respect of pawnbroking, and the team has become very much a part of the H&T family. We believe that further consolidation opportunities may present themselves in future.

Macro-Economic Environment

We see the trading environment in the near term being positive for H&T.

Pledge Book

We anticipate continued strong demand for our core pawnbroking product as the impact of inflation on the consumer increases the need for small sum, short term loans at a time when supply of credit is more constrained than has been the case for many years.

Retail

The Company is a leading retailer of high quality pre-owned jewellery and watches. We also offer our customers an expanding range of new jewellery items. H&T is currently the sixth largest jewellery and watch retailer in the UK (source: www.professionaljeweller.com). Demand has remained robust through 2022 and in the early months of 2023, with January 2023 being a record month for online sales. We believe that there are systemic reasons for the strength of this demand, including the growing attractiveness of buying pre-owned products and the environmental and sustainability benefits this brings. Customers view these items as representing good value for money, and also as a store of value which can be sold or used as collateral for a future pledge loan if their circumstances change. We believe that these dynamics are likely to continue.

Other

We expect increasing demand for foreign exchange services as overseas travel continues to rebound. With increased focus and the introduction of online options for customers, we continue to consider this market to be a growth opportunity for the Company.

Cost Base

Like all businesses, H&T is experiencing continued supply chain pressures and the impact of inflation. We are mindful of the impact of these economic factors on all our stakeholders. H&T is primarily a fixed cost business and achieving operating efficiencies will remain a key management focus while ensuring capital is invested where appropriate and where attractive, sustainable returns can be achieved.

We have rewarded our employees with increases in basic pay, and with bonuses intended to recognise their hard work and contribution throughout 2022. We have also seen an increase in variable performance related pay, given the strong performance of the business.

We fixed the cost of energy supplies for two years at the end of 2021, and we remain able to obtain attractive renewal terms as our rental agreements fall due for review. Typically, the store estate is subject to three or five year rent reviews.

Section 172 (1) statement

In accordance with the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) the Directors set out below how they have had regard to the requirements of section 172(1) of the regulations. The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its stakeholders. We continue to improve the Annual Report disclosures to ensure they give a fair, balanced and understandable assessment of the Company's position and prospects. We set out below information about all our key stakeholder groups, explaining how we engage and strive to develop collaborative relationships.

To demonstrate the decision-making process and how the Directors have considered the matters in section 172(1) of the Act when making those decisions, the table below includes some examples of decisions made during the course of the year, the stakeholders impacted, points considered and the outcome of the decisions.

Board Action	Stakeholders	Considerations	Outcome
Approved the strategic acquisition of Swiss Time Services Limited.	Shareholders Customers Employees Suppliers	The Board recognised the synergies that owning and managing the firm would bring to the Company.	Acquisition completed and Swiss Time Services integrated into the wider H&T Group.
Ensure sufficient finance to support continuing business activities	Employees Suppliers	Short-term funding capacity availability that is flexible and cost effective to support the immediate and foreseeable business requirements. Lending covenants, security arrangements, fees and margin should be appropriate.	Financing facility was renewed, and composition revised to comprise Revolving Credit Facility of £30m and an Overdraft facility of £5m. This will ensure sufficient funding to meet future business requirements. Facility is renewed for three years to December 2025. No change to the covenants.
Appointed a new Nominated Advisor and Broker in Shore Capital. This was followed by the appointment of Alma PR, a new PR advisor, later in the year.	Employees Customers Shareholders	The Board considered the need to enhance investor understanding of the sector in which the Company operates and to reach a broader investor base.	Appointments completed. Change in shareholdings in the share register. Ongoing relationships with institutional investors.

The Board has identified the following key stakeholders: Shareholders, Customers, Suppliers, Government and Regulatory Bodies, Employees, and our Environment and Social Impact.

Shareholders

We have engaged with our major shareholders throughout the year, to ensure our long- term strategy aligns with their interests and expectations, and to explain how we aim to deliver sustainable growth and maximise returns for shareholders. We aim to generate value for our shareholders delivering sustainable growth in profitable returns over and above the Company's cost of capital, and to employ a progressive dividend policy targeting at least two times dividend cover over the business cycle.

We seek to provide regular updates to our shareholders, and value personal contact and individual dialogue, with significant time being allocated to shareholder meetings, often alongside our Nominated Advisor and Broker, Shore Capital, and our PR Consultants, Alma PR.

Customers

We are committed to meeting the needs of our customers. We regularly review our range of product offerings, and survey our customers on a regular basis, so that we remain abreast of their needs and their H&T experience. A recent survey of our customers covered matters such as our service standards, their needs and new product opportunities.

With our range of accessible services, both in-store and increasingly online, which include retailing watches and jewellery, cheque cashing, foreign exchange services, money transfers and our main product offerings of pledge lending, we provide simple, transparent and safe options for our customers to raise small-sum short-term funds when needed.

Our regular product reviews also ensure we remain competitive and good value for our customers.

We are aware of our essential role within local communities and value and nurture this relationship, investing in the provision of our face-to-face service by providing continuous training to our people, enabling a tailored service on a store- by-store basis.

The FCA's Consumer Duty rules which were published in the latter half of 2022 aim for a higher and more consistent standard of consumer protection for users of financial services and help to stop harm before it happens.

H&T have a strong commitment to the requirements of the FCA's Consumer Duty rules and have plans in place to ensure these are met ahead of the deadline of 31 July 2023.

Employees

We consider that our people are our single biggest asset, and we fully recognise that the success of the business is dependent on ensuring that our colleagues have the necessary skills, are motivated and committed to delivering the level of service our customers expect. We regularly check in with our colleagues by carrying out employee surveys twice a year and we have reviewed and refreshed our proprietary training programme, Aspire, which rewards our colleagues for continuing education on the range of services we make available.

Suppliers

We continue to follow best industry practice for effectively managing our third-party suppliers, mitigating vendor risk through robust vendor due diligence whilst ensuring both high quality and best-value partnerships. We require compliance with the highest standards of trade, and adherence to safety standards, throughout the supply chain.

We have invested in our procurement team ensuring greater capacity to support the business day-to-day and to identify new supplier opportunities. Our rigorous pre-contractual checks ensure that we can be confident that our suppliers comply with legal standards including those set out in the Modern Slavery Act 2015. Our team monitors both service provision and pricing to ensure best value to the business.

Environmental, Social and Governance (ESG)

We strive to act with integrity and responsibility to do the right thing in protecting our planet, nurturing our people and governing our Company for the benefit of all stakeholders. We look to manage our business responsibly and focus on supporting our key stakeholders such as customers, employees, shareholders, regulators and wider society, with our immediate focus being the prioritisation of material ESG issues.

Our approach to ESG has been built with the active engagement of the Board, senior management teams and our staff through a mix of training sessions, workshops, taskforces and general awareness campaigns and communication. ESG is a regular feature in our internal communications with the CEO sponsoring the importance and relevance of ESG for H&T.

Environmental

We aim to responsibly manage the environmental impact of our business operations, reducing waste, increasing recycling, and working to reduce our carbon footprint and climate impact.

In 2022, H&T remain certified as having Zero Waste to Landfill.

In 2022 we recycled 66% of our waste (2021: 67%) and this has been supported by working with our partner First Mile, completing waste audits and identifying further actions to improve our recycle rate. We held a staff awareness campaign to share the results of our waste audits, share how First Mile manage our waste, and encourage staff to increase our percentage. We recycle 99.3% (2021: 99%) of pre-owned jewellery brought to us, by selling as pre-loved, upcycling, or melting into gold.

H&T partners with a renewable energy supplier, Drax Power, which provides 100% of their energy through renewable means. Staff campaigns have been run during the year to increase awareness about the actions we can take to reduce energy usage.

Taskforce for Climate-Related Financial Disclosures framework

During 2022, the Company undertook a significant piece of work to demonstrate clearly focus on ESG and to support our actions through the use of the Taskforce for Climate-Related Financial Disclosures framework.

The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, in providing information to stakeholders.

Governance

Governance for ESG sits at the wider Group level, at H&T Group plc. We introduced into our governance framework a separate TCFD Working Group to manage the TCFD requirements. The Group has a number of representatives from across the business.

The TCFD Working Group reports into the internal Executive Committee meetings including Risk, ensuring regular communication, increased awareness and understanding of the requirements. This provides focus on the actions we need to take to deliver our Climate strategy.

Board updates at Group level are provided including through the Risk Committee. For more information, refer to H&T Group plc Annual Report and Financial Statements 2022. These financial statements identify risks and opportunities for the business and reports the various metrics on energy consumption and emissions.

The Circular Economy

We recycle 99.3% (2021: 99%) of pre-owned jewellery brought to us through selling as pre-loved, upcycling, or melting into gold. This plays a key part of our ESG efforts and the circular economy, favouring activities that preserve value in the form of energy, labour, and materials by recycling to keep products, components, and materials circulating in the economy.

Social

Nurturing our people and engaging with the communities we serve are both important for our business, supporting our human capital and supporting our aim to address social issues with philanthropic contributions. We wish to be a force for good in society, by making a positive contribution in our local communities.

National Living Wage

In the best interest of our employees, the business made a commitment to raise our entry pay levels above the National Living Wage (NLW). We adjusted pay levels twice during the course of the year, firstly in line with legal requirements of the increased National Living Wage and secondly, to progress towards the Real Living Wage Foundation recommendation. We continue to prioritise pay levels for our lowest paid employees and recognise that further action will be required in 2022.

Employee Engagement

The Company conducted two employee engagement surveys in 2022. In February, 71% of employees participated, with an increase in overall satisfaction from 60.2 to 62.8. In November, 56% of employees participated with a further increase in satisfaction to 66.2.

Our employees say they enjoy their jobs due to the colleagues they work with and the customers they serve, as well as the variety in their jobs day-to-day. In February's survey, the key areas for improvement were communication and pay. During 2022, the CEO has shared informal and formal video updates, held Q&A sessions and provided a private email address for employees to ask any questions, suggest ideas or raise concerns. Further details on employee remuneration, recruitment, recognition and development, health and well-being, inclusion and diversity is provided in H&T Group plc Annual Report and Financial Statements 2022.

Government, Regulatory bodies and Industry bodies

We operate within a framework for policy set by Government and regulators. We work with both HMRC and the FCA to ensure the Company attains the highest standard of corporate governance and to ensure that the Company's ongoing monitoring, training and compliance procedures meet best practice. We aim for our business practices to provide a solid foundation for sustainable growth. We are active members of the National Pawnbroking Association, Consumer Credit Trade Association and the Consumer Finance Association.

The Company reinforce compliance with regulations, (e.g., GDPR, AML and anti-bribery) with regular ongoing staff training to update and refresh awareness.

Principal risks and uncertainties

The Directors of the Company conduct regular assessments of the principal risks facing the Company, including those that could threaten its business model, future performance, solvency, or liquidity.

The Board retains ultimate responsibility for the Company's risk management framework and appetite, including reviewing its effectiveness and risk exposures measured through the Company's Key Risk Indicators. The Board has delegated responsibility for annually reviewing the overall effectiveness of the risk management programme to the Group Risk Committee. The Internal Audit function provides assurance to the Group Audit Committee on the effectiveness of the internal control procedures through completion of a risk-based annual internal audit plan, this considers the current risks faced by the Company. The risk and compliance function provides assurance to the Group Risk Committee on regulatory, reputational, and operational risk through the completion of the annual compliance monitoring plan and regular risk reviews.

The Company's risk management framework and risk appetite is embedded within the Company's management and governance processes and is overseen by the Board. The risk management framework ensures there is clarity and consistency in the Company's approach to managing risks. Risks are identified both at a Board and an operational level, they are assessed and, where appropriate, individuals within the business are given responsibility for the management of that risk. The Company has in place formal processes for the identification of new risks or a change to an existing risk. The Risk Committee oversees a formal periodic review of our assessment of individual risks, mitigating activities and associated remedial actions.

The table that follows sets out the principal risks and uncertainties facing the Company and how we mitigate them. This is not an exhaustive analysis of all the risks the Company may face as there may be additional risks and uncertainties that are not currently known to the Board or have not been included in this section on the basis that they are not considered to be material.

Area	Description of risk	Examples of mitigating activities
Regulatory risk	Loss arising from a breach of existing regulation or regulatory changes in the markets within which the Company operates.	• Experienced Board both in credit and FCA regulated businesses • Three line model with dedicated Internal Audit and Risk and Compliance functions • Completion of the annual risk-based compliance monitoring and internal audit plan • Well-developed procedures, training, systems, and operational controls • Head of Risk and Compliance monitors legislative changes and supports departmental compliance functions as required • Expert third-party legal and / or compliance advice is sought where necessary • Membership of appropriate trade associations who assist with both regulatory awareness and relationships
Operational resilience and Business Continuity	Risk of disruption to the Company's operations and revenues due to one or more operational incidents or natural disasters.	• Store network is distributed throughout UK • Online portal available for customers to manage pledge agreements • On-going investment in Company websites and technology platforms • Support functions enabled to work remotely • Core systems and data secured through high availability cloud providers • Online Pawnbroking services available to our customers • Stores able to work on standalone basis for periods • Staff support availability from other stores • Robust and effective internal controls to prevent and detect operational events
Gold price	A significant fall in the gold price impacting the security of pledge and the revenues from scrap operations.	• Ensure sufficient headroom on bank covenants to absorb a reduction in gold price, should it occur, without covenant breach • Monitoring of gold price at Board level • Annual testing of forecasts sensitised for gold price • Maintenance of appropriate margin between pledge value and gold price (LTV's) • Lending on alternative high value items • Focus on increasing redemption rates to minimise reliance on liquidating pledged items • Increase retail sales contribution to revenue

Area	Description of risk	Examples of mitigating activities
Theft and fraud	Loss of inventory or pledge	• High levels of physical security in locations where inventory is held • Insurance for material losses • Systems and procedures to minimise risk of theft and fraud
	Internal theft and fraud	• Ensure staff are highly motivated • Avoid lone working to reduce opportunity • Loss prevention team visits to each store at least twice a year • Loss prevention team focused on loss prevention and other manipulation for personal gain • Financial crime and transaction monitoring capabilities enhanced • Fair, ethical, compliant and competitive incentive schemes and other benefits offered
Reputational risk	An event or circumstance could adversely impact on the Company's reputation, including adverse publicity from the activities of legislators, pressure groups complaints, legal challenges and the media.	• Consider regulatory and reputational impact of business changes • Maintain focus on competitive advantage of customer service • Ensure staff are highly motivated • Staff undertake a comprehensive induction course and formal programme of ongoing training • Ensure high level of compliance in product and service delivery • Ensure price or short-term earnings are not the dominant factor in decision making • Risk events are recorded and any customer or reputational impact is assessed and changes to systems and controls are made when necessary • Retained financial PR and media relations consultancy to provide ongoing reputation management support and media engagement • Monitoring the activities of claims management companies in the market • Complaints team work directly with the business to respond to customer complaints through process changes • Legal expertise within Company Secretarial function

Area	Description of risk	Examples of mitigating activities
Cyber security, denial of service and data loss	With increasing frequency, severity and sophistication of cyber-attacks on UK businesses in general and in our own business, H&T is increasingly using online platforms both for transactional processing and customer acquisition. The cyber-risk threat landscape is ever evolving. Failure to adequately manage cyber threats and to continually review and update processes in response to new threats could result in operational disruption resulting from system downtime, financial loss, data loss, reputational damage and regulatory fines.	• Continue to monitor cyber-threats using internal and external resources and where necessary implement changes to combat this • Utilise appropriate levels of industry standard information security solutions and best practice for critical systems • Implementation of "Zero Trust" Network segmentation between core sites and systems to limit attack vectors • DDOS (Distributed Denial of Service) protection using modern countermeasures • Conduct proactive internal vulnerability scanning and external penetration testing to identify vulnerabilities and deliver improvements • Improve staff threat awareness training • Achieved Cyber Essentials Plus certification • Regularly reviews of employee access rights based on "minimum access" and RBAC (Role Based Access Control) •

Strategic report approval

This report was approved by the Board of Directors on 30 June 2023 and signed on its behalf by:

C D Gillespie
Chief Executive

30 June 2023

Registered office:
Times House
Throwley Way, Sutton, Surrey
SM1 4AF

The Directors present their annual report and the audited financial statements for the year ended 31 December 2022.

Principal activities and review of the business

The main activities of the Company continue to be pawnbroking, gold purchasing, retail of new and pre-owned jewellery and watches, cheque cashing, foreign exchange and other related services.

A review of the business and its future development (including the information that fulfils the relevant requirements of section 417 of the Companies Act 2006) is given in the Strategic Report on pages 4 - 16.

Results and financial position

The results for the year are set out on page 26. The position at year-end is set out on page 27. The Directors do not recommend the payment of a dividend (2021: £20m).

Personnel

Details of the number of employees and related costs can be found in Note 6 to the financial statements.

The Company maintains a policy of equality, diversity and inclusion and is committed to ensuring that all individuals are treated fairly, with respect and are valued.

The Company is committed to providing a safe working environment for all employees through a combination of procedural and physical security measures. These measures are kept under review and updated as appropriate.

All employees are incentivised through different bonus schemes. The Executive Directors, together with key members of the management team, qualify for the Performance Share Plan (PSP). Further details on share option plans are provided in Note 9 to the financial statements.

Employee consultation

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their stores, regional areas and of the Company as a whole. This is achieved through formal and informal meetings, monthly information bulletins, and employee surveys, four times per year, through employee-nominated forums.

Employment of the disabled

It is the policy of the Company to give full and fair consideration to the employment of disabled persons in jobs suited to their individual circumstances and, as appropriate, to consider them for recruitment opportunities, career development and training. Where possible, arrangements are made for the continuing employment of employees who have become disabled whilst in the Company's employment.

Health and safety

The safety of our customers and employees is of paramount importance to the Company. All employees complete annual training, and a programme of annual Health and Safety Risk Assessments is in place.

Health and safety standards and benchmarks have also been established in the business and compliance is monitored by the Board.

Political contributions

No political contributions were made during the year (2021: £nil).

Going concern

The Company has prepared the financial statements on a going concern basis.

The Board has approved a detailed budget for 2023. All forecasts and sensitivities indicate surplus cash generated from operations for the period reviewed after accounting for the Company's forecast levels of capital expenditure. In considering the going concern basis of preparation, longer-term forecasts are also prepared with the financial forecasts revealing no inability to meet financial covenants or repay liabilities.

The Company's offering is principally that of secured lending against pledges. The Company's policies on pawnbroking lending remain rigorous and prudent, such that the Company has limited exposure to loss in the event of customers not redeeming their pledges, due to the value of the pledge collateral held, principally being gold, watches and precious stones. The Company has no reason to believe that the value will not be maintained in the near future.

Based on the above considerations and after reviewing in detail 2023 and Q1 2024 forecasts, the Directors have formed the view that the Company has adequate resources to continue as a going concern for the next 12 months and has prepared the financial statements on this basis. Principal risks and uncertainties to the Company's business are discussed in more detail in the Strategic Report.

Financial risk management objectives and policies

The Company's activities expose it to several financial risks including interest rate risk, credit risk, liquidity risk, price risk and exchange-rate risk. The use of financial derivatives is governed by the company's policies approved by the Board, which provides written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

A summary of the principal financial risks is provided below. Further detailed discussion is provided in note 26 to the consolidated financial statements of H&T Group plc.

Interest rate risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. At present the Board does not consider it necessary to enter into a hedging arrangement. This position is reviewed by the Board on a regular basis.

Credit risk

The Company's principal financial assets are cash and bank balances, trade, and other receivables. The Company's credit risk is primarily attributable to its trade receivables, which is the pledge book, personal loan book and cheque cashing balances. Exposure on pledge book receivables is dispersed over a large customer base mitigating potential concentration risk.

The risk attributable to the pledge book is mitigated by to the presence of security (customer pledges) which can be easily liquidated and in almost all cases fully recovering the amount lent.

The risks attached to the unsecured personal loan book are significantly decreased following a wind-down of the portfolio and the cessation of all unsecured lending in April 2022. The risks attached to the residual personal loan book are mitigated by the ongoing monitoring of bad debts and collections activity.

The Company conducts appropriate risk-mitigating procedures on customers prior to undertaking cheque-cashing activities.

The amounts presented in the balance sheet are stated at fair value and net of allowances for doubtful receivables. An impairment provision is raised on pledge loans at origination based on expected losses estimated by the approved impairment model, previous experience of redemptions and the anticipated cash flows. Where there is an identified loss on a loan this is taken into consideration and additional impairment applied as appropriate.

The credit risk on liquid funds (of cash and bank balances) and derivative financial instruments is considered to be low, as funds are held with financial institutions with high credit-ratings assigned by international credit-rating agencies to the Company's bankers as follows:

	Moody's credit rating	
	2022	**2021**
Lloyds Bank plc	A1	A1

The Company had no significant concentration of credit risk at year-end other than on the bank balance of £3,651,000 (2021: £9,306,000) with Lloyds Bank plc.

Liquidity risk

To maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance. As at 31 December 2022, the Company had £20m (2021: £35m) headroom on its current borrowings and remains in full compliance with all loan covenants. The Company facility with Lloyds Bank plc allows for maximum borrowings of £35m comprising a three-year Revolving Credit Facility of £30m (2021: £15m) and an overdraft facility of £5m (2021: £20m). The Company also has cash (RCF)and bank balances on call to support operating activities of £11.7m (2021: £17.6m).
Furthermore, the Company will continue to review as necessary, the possibility of raising future equity finance or refinancing existing banking facilities to expand activities.

Price risk

The Company has limited exposure to price risk as the majority of its jewellery stock and all of its scrap gold is acquired through unredeemed pledges which have a cost to the Company which is lower that its retail value. The Company is however exposed to adverse movements in the price of gold on its gold scrap activities and the value of the pledge collaterals. Should the price of gold drop significantly, the Company can mitigate the risk by changing its lending policy on pawnbroking pledges or by entering into hedging arrangements. Currently the Company has no hedge in place, although this is reviewed by the Board on a regular basis.

Exchange rate risk

While the Company's activities are largely conducted in the United Kingdom, the Company is impacted by foreign currency exchange rates affecting the gold price exchange from USD to GBP and the revaluation of foreign currency cash holdings in store. The impact of revaluation is monitored daily, and hedging is utilised.

Directors and their interests

The Directors who served during the year, and to the date of this report, except where otherwise stated, were as follows:

Executive
C D Gillespie
D E Giddy
M P Harrold

Non-Executive
P D McNamara (resigned 1 April 2023)
J F Thornton
M J Smith (resigned 12 May 2022)
E F Draper (resigned 12 May 2022)

None of the Directors in office at 31 December 2022 had an interest in the shares of the Company (2021: none). Directors' interests in shares of the parent company, H & T Group plc, are shown in the financial statements of H & T Group plc.

Directors' bonus schemes

The Remuneration Committee considers the total remuneration package available to Executive Directors in light of market practice for companies of a similar size and delivering a similar shareholder performance. As part of the total package, Executive Directors are entitled to receive an annual bonus, subject to meeting certain performance conditions. These performance conditions, the maximum bonus payable and the proportion paid for on-target performance are set by the Remuneration Committee in advance of each financial year. In each of the years 2020, 2021 and 2022 the Board established a long-term incentive plan based on the performance of the business over a three-year period and provided for a payment in shares at the end of the periods.

Directors' indemnities

Under the Company's articles of association, any Director is entitled to be indemnified by the Company (to the extent permitted by law) against any liability incurred by him in defending proceedings which relate to any acts or omissions in his capacity as officer of the Company. In addition, the Company maintains insurance for the benefit of the Directors in respect of such matters which it considers to be appropriate. These arrangements were in force throughout the whole of the current and preceding financial years.

Independent auditor and statement of provision of information to the independent auditor

PKF Littlejohn LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

C D Gillespie
Chief Executive

30 June 2023

Registered office:
Times House
Throwley Way
Sutton, Surrey
SM1 4AF

Harvey & Thompson Limited
Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom and Article 4 of the IAS Regulation. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Company financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- the strategic report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and;
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 6 March 2023 and is signed on its behalf by:

Chief Executive
C D Gillespie 30 June 2023

Harvey & Thompson Limited
Independent Auditor's Report to the Members of Harvey & Thompson Limited

Opinion

We have audited the financial statements of Harvey & Thompson Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice) and in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from stores not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from consumer credit, money laundering, taxation and the Companies Act 2006.

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
    - Reviewing the financial statements disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
    - Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HM Revenue and Customs and the Financial Conduct Authority;
    - Review of legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations;
    - Reviewing the compliance reports and customer complaints log to understand the nature of any compliance matters and the existence of any non-compliance with laws and regulations;
    - We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that a potential management bias was identified in relation to the following areas:
        - Valuation of the pledge interest accrual
        - Measurement of expected credit losses
        - The choice of the incremental borrowing rate use to discount lease premiums under IFRS 16
        - The calculation of stock provisions
        - Fair values of the identifiable intangible assets acquired in business combinations

    We addressed the risk of bias by challenging the assumptions and judgements made by management in each of the above noted areas.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included,but were not limited to: the testing of journals; testing controls; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Ling (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

30 June 2023

Harvey & Thompson Limited
Statement of comprehensive income
For the year ended 31 December 2022

Continuing operations:

	Note	2022 £'000	2021 £'000
Revenue	2	173,349	121,995
Cost of sales		(71,668)	(45,640)
Gross profit	2	101,681	76,355
Other direct expenses		(59,535)	(46,251)
Administrative expenses		(21,185)	(18,647)
Recurring operating profit		20,961	11,457
Non-recurring expenses	25	-	(2,099)
Operating profit		20,961	9,358
Investment revenue		-	8
Finance costs	3	(1,533)	(1,247)
Profit before taxation	4	19,428	8,119
Tax charge on profit	8	(4,173)	(1,866)
Profit for the financial year and total comprehensive income		15,255	6,253

All profit for the year is attributable to equity shareholders.

Harvey & Thompson Limited
Balance Sheet
As at 31 December 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
Non-current assets			
Investments	22	4,328	-
Intangible assets	10	13,987	11,816
Property, plant and equipment	11	12,890	11,101
Right-of-use assets	11	18,149	17,400
Deferred tax assets	12	860	1,726
		50,214	42,043
Current assets			
Inventories	13	35,039	28,421
Trade and other receivables	14	103,887	72,446
Cash and bank balances		11,741	17,631
		150,667	118,498
Total assets		200,881	160,541
Current liabilities			
Trade and other payables	15	(27,320)	(17,292)
Lease liabilities	15	(3,732)	(3,191)
Current tax liabilities	15	(956)	(400)
		(32,008)	(20,883)
Net current assets		118,659	97,615
Non-current liabilities			
Borrowings	16	(15,000)	-
Lease liabilities		(15,436)	(15,792)
Long term provisions	17	(2,146)	(3,827)
		(32,582)	(19,619)
Total liabilities		(64,590)	(40,502)
Net assets		136,291	120,039
Equity			
Share capital	18	15,000	15,000
Share premium account		23,123	23,123
Share option reserve		2,863	1,866
Retained earnings		95,305	80,050
Total equity attributable to equity holders		136,291	120,039

The balance sheet should be read in conjunction with the accompanying notes.

The financial statements of Harvey & Thompson Limited (registered number 02636684), on pages 26 to 65 were approved by the Board of Directors and authorised for issue on 30 June 2023. They were signed on its behalf by:

C D Gillespie
Chief Executive

Harvey & Thompson Limited
Statement of changes in equity

As at 31 December 2022

	Called-up share capital (note 18) £'000	Capital Contribution £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	15,000	23,123	1,855	93,797	133,775
Profit for the year	-	-	-	6,253	6,253
Total comprehensive income for the year	-	-	-	6,253	6,253
Dividend paid	-	-	-	(20,000)	(20,000)
Share option movement	-	-	11	-	11
Balance at 31 December 2021	15,000	23,123	1,866	80,050	120,039
Balance at 1 January 2022	15,000	23,123	1,866	80,050	120,039
Profit for the year	-	-	-	15,255	15,255
Total comprehensive income for the year	-	-	-	15,255	15,255
Share option movement	-	-	997	-	997
Balance at 31 December 2022	15,000	23,123	2,863	95,305	136,291

1. Accounting policies

Harvey & Thompson Limited is a company limited by shares incorporated in the UK under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 4 to 16.

It requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes to these accounts.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The financial statements of H&T Group plc are available to the public and can be obtained as set out in note 20.

Changes in accounting policies

Adoption of new and revised standards
Amendments to IFRSs that are mandatorily effective for the current year

- Annual Improvements to IFRS Standards: 2018 – 2020 Cycle (effective 1 January 2022);
- Amendments to IAS 1: Presentation of Financial Statements and IFRS;
- Practice Statement 2: Disclosure of Accounting Policies (effective 1 January 2023);
- Amendments to IAS 8: Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (effective 1 January 2023);
- Amendments to IAS 12: Income Taxes – Deferred Tax arising from a Single Transaction (effective 1 January 2023);
- Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework (effective date 1 January 2022);
- Amendments to IAS 16: Property, Plant and Equipment (effective date 1 January 2022).

New and revised IFRSs in issue but not yet effective

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date TBC)
- Amendments to IAS 1: Classification of Liabilities as Current or Non current (effective date TBC)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed)

1. Accounting policies (continued)

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash-flow statement, standards not yet effective, impairment of assets, related party transactions, IAS1, IFRS2, IFRS3 and IFRS16.

Where relevant, equivalent disclosures have been given in the publicly available Group financial statements of H&T Group Plc.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments and investment property that are measured at revalued amounts or fair values at the end of each reporting year, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the wider group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors Report.

Revenue recognition

The Company recognises revenue from the following major sources:

- Pawnbroking, or Pawn Service Charge (PSC);
- Retail;
- Pawnbroking scrap and gold purchasing;
- Personal loans interest income;
- Foreign exchange;
- Income from other services and
- Other income

Pawnbroking, or Pawn Service Charge (PSC)

PSC comprises contractual interest earned on pledge loans, plus auction profit or loss, less any auction commissions payable and less surplus payable to the customer. Revenue is recognised over time in relation to the interest accrued by reference to the principal outstanding and the effective interest rate applicable as governed by IFRS 9.

Retail

Jewellery inventory is sourced from unredeemed pawn loans, newly purchased items and inventory refurbished from the Company's gold purchasing operation. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Under the Company's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Company has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales.

1. Accounting policies (continued)

The Company uses its accumulated historical experience to estimate the number of returns. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent and immaterial level of returns over previous years; as a proportion of sales 2022 returns were 7% (2021: 6%).

Pawnbroking scrap and gold purchasing

Scrap revenue comprises proceeds from gold scrap sales. Revenue is recognised when control of the goods has transferred, being at the point the smelter purchases the relevant metals.

Personal loans interest income

This comprises income from the Company's unsecured lending activities. Personal loan revenues are shown stated before impairment when in stages 1 and 2 of the expected credit loss model and net of impairment when in stage 3. The impairment charge is included within other direct expenses in the Company statement of comprehensive income. Revenue is recognised over time in relation to the interest accrued, as dictated by IFRS9.

Other services

Other services comprise revenues from third party cheque cashing, foreign exchange income, buyback, Western Union and other income. Commission receivable on cheque cashing, foreign exchange income and other income is recognised at the time of the transaction as this is when control of the goods has transferred.

The Company recognises interest income arising on secured and unsecured lending within trading revenue rather than investment revenue on the basis that this represents most accurately the business activities of the Company.

Other income

Government grants, including monies received under the Coronavirus job retention scheme are recognised as other income when there is reasonable assurance that the Company will comply with the scheme conditions and the monies will be received. There are no unfulfilled conditions and contingencies attaching to recognised grants.

Gross profit

Gross profit is stated after charging inventory, pledge and other services provisions and direct costs of inventory items sold or scrapped in the year, before loan and pawnbroking impairments.

Other direct expenses

Other direct expenses comprise all expenses associated with the operation of the various shops and collection centre of the Company, including premises expenses, such as rent, rates, utilities and insurance, all staff costs and staff related costs for the relevant employees.

Operating profit

Operating profit is stated before investment income and finance costs.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the profit and loss account and is not subsequently reversed.

1. Accounting policies (continued)

Intangible fixed assets

Intangible assets with a finite useful life are carried at cost less amortisation less impairment losses. Intangible assets represent intangibles which have been separately identified under IFRS 3 arising in business combinations, being customer relationships, or meet the recognition criteria of IAS 38, "Intangible Assets", being principally computer software assets.

Amortisation of intangible assets acquired in a business combination is calculated using the expected life of the intangible assets acquired.

Amortisation of other intangible assets (computer software) is calculated using the straight-line method to allocate the cost of the asset less its assessed realisable value over its estimated useful life (6 to 8 years).

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes and estimates being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between net disposal proceeds and the carrying amount of the asset, are recognised in the Company statement of comprehensive Income when the asset is derecognised.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

The cost of tangible fixed assets is the purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned.

Short leasehold premises:	
- Leasehold improvements	Shorter of 7 years or life of lease
Computer systems:	
- Computer hardware	3 to 5 years
- Other computer software	3 years
Fixtures and fittings	5 to 10 years
Motor Vehicles	4 years
Right of use assets	Life of the lease

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

1. Accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identifier asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right -of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

1. Significant accounting policies (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Impairment of non-financial assets including goodwill and other intangibles
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU)'s fair value and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 10.4% (2021: 8.2%) which reflects the current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, market conditions are taken into account.

The Company bases its impairment calculation on detailed budgets and historical performance measures. These are prepared separately for each of the Company's CGUs to which the individual assets are allocated, which is usually taken to be at store level. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

While the impairment review has been conducted based on the best available estimates at the impairment review dates, the Company notes that actual events may vary from management expectation, but are comfortable that other than a right-of-use-assets (property leases) reversal of impairment charge of £0.3m (2021: £0.2m) no further impairment exists at the balance sheet date based on reasonably possible sensitivities.

Inventories

Inventories are stated at the lower of cost and net realisable value. For inventory acquired for retail sale the cost represents the purchase price plus overheads directly related to bringing inventory to its present location and condition and is measured on a first in first out basis. For inventory arising from unredeemed pledges the cost represents the amount originally loaned, plus overheads directly related to bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.
Where necessary provision is made for obsolete, slow moving and damaged inventory or inventory shrinkage. The provision for obsolete, slow moving and damaged inventory represents the difference between the cost of the inventory and its market value. The inventory shrinkage provision is based on an estimate of the inventory missing at the reporting date using historical shrinkage experience.

1. Significant accounting policies (continued)

Financial assets

All financial assets are recognised and derecognised on a trade date basis.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

In accordance with IFRS 9 *Financial Instruments* the Company has classified its financial assets as 'amortised cost', no financial assets have been classified as FVTOCI or FVTPL at the reporting date for 2022 and 2021.

Amortised cost and effective interest method:

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

1. Significant accounting policies (continued)

Any loans that may be subject to voluntary or mandatory forbearance are reviewed in relation to an increased credit risk by considering:

- whether the forbearance arrangement might lead to a change in cashflows, which are considered substantial modification of the loan; and
- whether the forbearance arrangement indicates that there has been a significant increase in credit risk (SICR) and as such expected credit losses are required to be recognised over the lifetime of the loan.

Financial assets at fair value through profit or loss

Only the Company's derivative financial instruments, of which there are none outstanding at the year end, are recorded as financial assets at fair value through profit or loss (FVTPL). Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost or at FVTOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

1. Significant accounting policies (continued)

(ii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:

• the borrower is past due more than 90 days on any material credit obligation to the Company; or

• the borrower is unlikely to pay its credit obligations to the Company in full.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write -off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1. Significant accounting policies (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities at FVTPL

Only the Company's derivative financial instruments, of which there are none outstanding at the year end, are recorded as financial liabilities at FVTPL, with any gains or losses arising on changes in fair value recognised in profit or loss.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Company statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Significant accounting policies (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the Company statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

A provision is recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the present obligation at the balance sheet date and are discounted to present value where the effect of the time value of money is material.

Most of the leases include end of lease rectification clauses which impose certain requirements on the Company to complete repairs and maintenance, or re-decoration activities if required. The Company provides for both rectification costs and repairs and maintenance obligations. Rectification costs are provided for on signing the lease and repairs are provided as management becomes aware of any significant amounts that will be required.

Employee share incentive plans

The Parent issues equity-settled share-based payments to certain employees (including Directors). These payments are measured by reference to the probability of the vesting conditions attached to each scheme being met. This fair value cost of equity-settled awards, is recognised on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of any non-market based vesting conditions. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. No cost is recognised for awards that do not ultimately vest.

1. Significant accounting policies (continued)

Retirement benefit costs

The Company operates a defined contribution pension scheme which is contracted into the State Scheme. The amount charged to the Company statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The Company measures loss allowances for personal loan trade receivables using the IFRS 9 expected credit loss model. On initial recognition of the personal loans, the Company recognises 12 month expected credit losses. If the credit risk on a financial instrument has increased significantly since its initial recognition, the Company recognises lifetime expected credit losses. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

For pawnbroking impairment, the Company defines a significant increase in credit risk where redemption has not taken place one month after initial recognition, unless there are specific circumstances indicating otherwise. The Company deems those pawnbroking assets not redeemed within nine months of inception to be credit-impaired, unless there are specific circumstances indicating otherwise. This judgement is based on historical analysis, indicating that redemption rates significantly reduce after these periods.

For personal loans impairment, the Company defines a significant increase in credit risk where one-to-two payments have been missed after initial recognition to have significantly increased, unless there are specific circumstances indicating otherwise. The Company deems those personal loans that have missed three scheduled payments of inception to be credit-impaired, unless there are specific circumstances indicating otherwise. This judgement is based on historical data, indicating that repayment rates fall significantly after this number of missed payments.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Pawnbroking impairment

The Company recognises interest on pawnbroking loans as disclosed in the changes in the Company's accounting policies section. Impairment of pawn interest is determined in accordance with the IFRS 9 expected credit loss model. As at 31 December 2022, the pawnbroking loss allowance is £12,719,000 (2021: £7,472,000).

1. Significant accounting policies (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when pledges have not been redeemed within one month of lending, unless the Company has reasonable and supportable information that demonstrates otherwise.

In calculating lifetime expected losses on pledge balances, the probability of default is dependent on the estimate that the Company makes of the expected level of redeemed pawn loans. The Company estimates the expected redemptions based on the historical redemption data assumptions and expectations of future market conditions.

There is a risk that the actual redemption rate may vary significantly from the historical rate used to estimate the pledge interest accrual at the balance sheet date.

The Directors assess the pledge redemption estimate made at the prior balance sheet date annually to determine if the actual redemption differs significantly to the previous estimate. The sensitivity of the pledge accrual to reasonable changes in the redemption rate is set out in note 26 of the H& T Group plc consolidated financial statements.

Personal loan impairment

When measuring expected credit losses, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss that will arise on defaulted loans. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time period, the calculation of which includes historical data, assumptions and expectations of future conditions.

A provision for impairment on personal loans is recognised based on the IFRS 9 expected credit loss model. As at 31 December 2022, the personal loan impairment provision reversal was £963,000 (2021: £1,460,000).

1. Significant accounting policies (continued)

Trade debtors provisioning

Trade and other debtors are stated at their nominal amount less expected impairment losses.

Impairment losses on the pledge book are calculated in accordance with IFRS 9 and detailed in the pawnbroking impairment section noted above. An additional provision is made in relation to pledges seized by the police, shrinkage and our estimate of losses on pledges where the loan value exceeds the current market value. This provision was £438,000 as at 31 December 2022 (2021: £504,000). The pledge book items seized by the police are impaired on an item by item basis since the Company tracks the status of each pledge individually. The shrinkage provision is based on an estimate of the pledge book missing at the reporting date using historical shrinkage experience. The provision for pledges where loan value exceeds the current market value is calculated on an item by item basis with an estimate used for the proportion of those items which will ultimately be disposed of through pawnbroking scrap.

No other provision for losses is provided on the pledge book since the value of the collateral is greater than the pledge book nominal value.

For further details on the provisions and impairment losses, refer to note 26 within the Group financial statements, which show the amounts recorded in the period and the sensitivity at the balance sheet date to changes in the key assumptions with respect to impairment losses.

Inventory provisioning

Where necessary provision is made for obsolete, slow moving and damaged stock or stock shrinkage. The provision for obsolete, slow moving and damaged stock represents the difference between the cost of the stock and its market value. The stock shrinkage provision is based on an estimate of the stock missing at the reporting date using historical shrinkage experience. The inventory provision at 31 December 2022 was £677,000 (2021: £1,318,000).

S166 Customer redress provision

A methodology for conducting the required past book review of the Group's unsecured HCSTC lending was developed in close collaboration with the skilled person. This methodology was subject to "outcomes testing" by the skilled person and reviewed by the FCA. In April 2022, the FCA confirmed the Company could proceed to implementation of the past book review and consequent customer redress arrangements. A provision of £1.2m was raised in the 2021 financial results to cover the costs of this redress. The remaining provision available for future redress payments as at 31 December 2022 was £0.4m.

Impairment of property, plant and equipment, goodwill & intangibles and right-of-use-assets

Determining whether categories of assets are impaired requires an estimation of the value in use of the CGU to which the assets have been allocated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 10.4% (2021: 8.2%) which reflects the current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, market conditions are considered.

The Company bases its impairment calculation on detailed budgets and historical performance measures as an indicator of future performance. These reviews are usually carried out annually and prepared separately for each of the Company 's CGUs, which is usually taken to be at store level. While the impairment review has been conducted based on the best available estimates at the impairment review dates, the actual events may vary from management expectations.

2. Operating segments

Business segments

For reporting purposes, the Company is currently organised into six segments – Pawnbroking, Gold Purchasing, Retail, Pawnbroking Scrap, Personal Loans and Other Services.

The principal activities by segment are as follows:

Pawnbroking:

Pawnbroking is a loan secured against a collateral (the pledge). In the case of the Company, over 99.1% (2021: 99.2%) of the collateral against which amounts are lent comprises precious metals (predominantly gold), diamonds and watches. The pawnbroking contract is a six-month credit agreement bearing a monthly interest rate of between 2% and 9.99%. The contract is governed by the terms of the Consumer Credit Act 2008 (previously the Consumer Credit Act 2002). If the customer does not redeem the goods by repaying the secured loan before the end of the contract, the Company is required to dispose of the goods either through public auctions if the value of the pledge is over £75 (disposal proceeds being reported in this segment) or, if the value of the pledge is £75 or under, through public auctions or the retail or pawnbroking scrap activities of the company.

Purchasing:

Jewellery is bought direct from customers through all the Company's stores. The transaction is simple with the store agreeing a price with the customer and purchasing the goods for cash on the spot. Gold purchasing revenues comprise proceeds from scrap sales on goods sourced from the Company's purchasing operations.

Retail:

The Company's retail proposition is primarily gold and jewellery and the majority of the retail sales are forfeited items from the pawnbroking pledge book or refurbished items from the Company's gold purchasing operations. The retail offering is complemented with a small amount of new or second-hand jewellery purchased from third parties by the Company.

Pawnbroking scrap:

Pawnbroking scrap comprises all other proceeds from gold scrap sales of the Company's inventory assets other than those reported within gold purchasing. The items are either damaged beyond repair, are slow moving or surplus to the Company's requirements, and are smelted and sold at the current gold spot price less a small commission.

Personal loans:

Personal loans comprise income from the Company's unsecured lending activities. Personal loan revenues are stated at amortised cost after taking into consideration an assessment on a forward-looking basis of expected credit losses.

Foreign exchange:

The foreign exchange currency service where the Company earns a margin when selling or buying foreign currencies.

Other services:

This segment comprises:

- Third party cheque encashment which is the provision of cash in exchange for a cheque payable to our customer for a commission fee based on the face value of the cheque.
- Western Union commission earned on the Company's money transfer service.

2. Operating segments (continued)

Cheque cashing is subject to bad debt risk which is reflected in the commissions and fees applied.

Other income

Government grants, including monies received under HM Government's coronavirus job retention and rates relief schemes are recognised as other income.

2. Operating segments (continued)

Segment information about these businesses is presented below:

2022 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Foreign exchange £'000	Other services £'000	Other income £'000	Total £'000
External revenue	63,745	36,246	45,197	18,286	1,143	5,749	2,983	-	173,349
Total revenue	63,745	36,246	45,197	18,286	1,143	5,749	2,983	-	173,349
Gross profit	63,745	6,815	17,778	3,468	1,143	5,749	2,983	-	101,681
Impairment	(12,719)	-	-	-	963	-	-	-	(11,756)
Segment result	51,026	6,815	17,778	3,468	2,106	5,749	2,983	-	89,925
Other direct expenses excluding impairment									(47,779)
Administrative expenses									(21,185)
Recurring operating profit									20,961
Non-recurring expenses									-
Operating profit									20,961
Interest receivable									-
Financing costs									(1,533)
Profit before taxation									19,428
Tax charge on profit									(4,173)
Profit for the financial year and total comprehensive income									15,255

2021 Revenue	Pawnbroking £'000	Gold purchasing £'000	Retail £'000	Pawnbroking scrap £'000	Personal loans £'000	Foreign exchange £'000	Other services £'000	Other income £'000	Total £'000
External revenue	44,742	20,445	36,227	11,008	2,857	2,993	2,452	1,271	121,995
Total revenue	44,742	20,445	36,227	11,008	2,857	2,993	2,452	1,271	121,995
Gross profit	44,742	3,382	16,640	2,018	2,857	2,993	2,452	1,271	76,355
Impairment	(7,472)	-	-	-	1,460	-	-	-	(6,012)
Segment result	37,270	3,382	16,640	2,018	4,317	2,993	2,452	1,271	70,343
Other direct expenses excluding impairment									(40,239)
Administrative expenses									(18,647)
Recurring operating profit									11,457
Non-recurring expenses									(2,099)
Operating profit									9,358
Interest receivable									8
Financing costs									(1,247)
Profit before taxation									8,119
Tax charge on profit									(1,866)
Profit for the financial year and total comprehensive income									6,253

2. Operating segments (continued)

Gross profit is stated after charging the direct costs of inventory items sold or scrapped in the period. Other operating expenses of the stores are included in other direct expenses. The Company is unable to meaningfully allocate the other direct expenses of operating the stores between segments as the activities are conducted from the same stores, utilising the same assets and staff. The Company is also unable to meaningfully allocate Company administrative expenses, or financing costs or income between the segments. Accordingly, the Company is unable to meaningfully disclose an allocation of items included in the consolidated statement of comprehensive income below gross profit, which represents the reported segment results.

The Company does not apply any inter-segment charges when items are transferred between the pawnbroking activity and the retail or pawnbroking scrap activities.

2022	Pawn-broking £'000	Gold Purchasing £'000	Retail £'000	Pawn-broking Scrap £'000	Personal Loans £'000	Foreign exchange £'000	Other Services £'000	Unallocated assets/ (liabilities) £'000	Total £'000
Other information									
Capital additions (*)	-	-	-	-	-	-	-	9,464	9,464
Depreciation, amortisation, impairment (*)	-	-	-	-	-	-	-	9,248	9,248
Balance sheet									
Assets									
Segment assets	100,732	1,698	32,505	836	722	3,595	-		140,088
Unallocated corporate assets								42,081	42,081
Consolidated total assets									200,881
Liabilities									
Segment liabilities	-	-	(650)	-	-	-	(405)		(1,055)
Unallocated corporate liabilities								(63,535)	(63,535)
Consolidated total liabilities									(64,590)

2021	Pawn-broking £'000	Gold Purchasing £'000	Retail £'000	Pawn-broking Scrap £'000	Personal Loans £'000	Foreign exchange £'000	Other Services £'000	Unallocated assets/ (liabilities) £'000	Total £'000
Other information									
Capital additions (*)	-	-	-	-	-	-	-	9,409	9,409
Depreciation, amortisation, impairment (*)	-	-	-	-	-	-	-	8,731	8,731
Balance sheet									
Assets									
Segment assets	66,862	262	28,030	129	3,051	3,146	-		101,480
Unallocated corporate assets								40,921	40,921
Consolidated total assets									160,541
Liabilities									
Segment liabilities	-	-	(878)	-	-	-	(220)		(1,098)
Unallocated corporate liabilities								(39,404)	(39,404)
Consolidated total liabilities									(40,502)

(*) The Company cannot meaningfully allocate this information by segment due to the fact that all the segments operate from the same stores and the assets in use are common to all segments.

2. Operating segments (continued)

Geographical segments

The Company's revenue from external customers by geographical location are detailed below:

	2022 £'000	2021 £'000
United Kingdom	170,645	120,278
Other	2,704	1,717
	173,349	121,995

The Company's non-current assets are located entirely in the United Kingdom. Accordingly, no further geographical segments analysis is presented.

Major customers

Included in revenues arising from Gold Purchasing and Pawnbroking Scrap segments are revenues from the Company's largest customer of £46,374,000 (2021: £29,218,000), which make more that 10% of the total revenue. This customer is bullion house involved in the processing of the Company's scrap gold.

3. Financing costs

	2022 £'000	2021 £'000
Interest on bank loans	486	102
Other interest	2	1
Interest expense on the lease liability	859	950
Amortisation of debt issue costs	186	194
Total interest expense	1,533	1,247

4. Profit before taxation

Profit before taxation has been arrived at after charging/(crediting):	**2022**	**2021**
	£'000	**£'000**
Depreciation of property, plant and equipment reported within:		
- Other direct expenses	2,887	2,309
- Administrative expenses	365	357
Depreciation of Right of use assets	5,259	5,071
Impairment of right of use assets	(256)	(179)
Amortisation of intangible assets (reported within Other direct expenses)	723	1,427
Profit/(Loss) on disposal of property, plant and equipment	(10)	(11)
Cost of inventories recognised as expense	72,091	46,261
Write downs/up of inventories recognised as an (income)/expense	(422)	(621)
Staff costs (see note 6)	41,735	35,738
Impairment loss recognised on pawnbroking financial assets	12,719	7,472
Impairment loss recognised on personal loans financial assets	(963)	(1,460)

5. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2022	**2021**
	£'000	**£'000**
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	206	176
Total audit fees	206	176

The Company also bears the audit fee payable with respect to its parent company, H&T Group plc, of £23,000 (2021: £20,000). These amounts are not included in the £206,000 (2021: £176,000) reported above.

There were no other fees paid to the Company's auditors and its associates other than disclosed above.

6. Staff costs

The average monthly number of employees (including executive directors) was:

	2022 Number	2021 Number
Branches	1,262	1,234
Administration	197	184
	1,459	1,418

The full-time equivalent was 1,543 persons employed (including executive directors) in 2022 compared with 1,218 in 2021.

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	36,658	31,940
Share options expense	589	55
Social security costs	3,679	2,993
Other pension costs (Note 19)	809	750
	41,735	35,738

7. Directors' remuneration and transactions

Non-Executive Directors' emoluments

The non-executive Directors receive payments for services rendered to H & T Group plc. Their emoluments are paid through the Company, although their services are considered as being rendered to the Group. The emoluments paid are included in the analysis below.

	2022 £'000	2021 £'000
Directors' remuneration		
Aggregate emoluments	1,624	1,502
Company contributions to money purchase pension schemes	43	31
	1,667	1,533

	2022 £'000	2021 £'000
Highest paid director		
Aggregate emoluments	611	553

In addition, £210,000 (2021: £82,000) was charged to the Company statement of comprehensive income in respect of the fair value of the share options and conditional shares granted under the different schemes. Two executive Directors during the year (2021: three) participated in Harvey & Thompson Limited's money purchase pension scheme. None (2021: none) of the Directors exercised options over shares in H&T Group plc in the year.

8. Tax charge on profit

(a) Tax on profit on ordinary activities

	2022 £'000	2021 £'000
Current tax		
United Kingdom corporation tax charge at 19% (2020: 19%) based on the profit for the year	3,441	1,738
Group relief claimed	73	49
Adjustment in respect of prior years	(643)	(973)
Total current tax	2,871	814
Deferred tax		
Timing differences, origination and reversal	1,159	452
Adjustment in respect of prior years	313	1,240
Effect of change in tax rate	(170)	(640)
Total deferred tax (see note 12)	1,302	1,052
Tax charge on profit	4,173	1,866

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than that resulting from applying a standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Profit before taxation	19,428	8,119
Tax charge on profit at standard rate	3,691	1,543
Effects of:		
Disallowed expenses and non-taxable income	271	547
Non-qualifying depreciation	(80)	38
Effect of change in tax rate	(170)	(640)
Movement in short-term timing differences	791	112
Adjustments to tax charge in respect of previous periods	(330)	266
Tax charge on profit	4,173	1,866

9. Share-based payments

As at 31 December 2022, H&T Group Plc operated three share award schemes (Approved Share Options Scheme, Unapproved Share Option Scheme and Performance Share Plan 'PSP'). There was a P&L charge of £588,000 (2021: £55,000 release to P&L) for the year in respect of the PSP scheme.

Awards that can be granted under the three schemes total a maximum of 4,385,048 shares in H&T Group Plc (2021: 3,986,408 shares).

A. Approved Share Option Scheme ('ASOS')

The Approved Share Option Scheme is a share option scheme approved by HMRC where favourable tax treatment is received on exercise by the employee. The options may be granted to all management from shop manager to executive Director level. The Remuneration Committee of the ultimate parent company, H&T Group Plc, sets the performance conditions.

The performance conditions applicable to the options granted in 2009, 2010, 2011 and 2012 have already been met. The performance conditions applicable to grants in subsequent years are as follows:

Options granted in 2013 are subject to continued employment within the Company as at the exercise date.

Early exercise of the options is permitted if an option holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company.

The options outstanding at the year end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
ASOS 2013	March 2013	292.3	57,980	28/03/2016	27/03/2023

No share options were issued between 2014 and 2022.

A reconciliation of option movements for the ASOS is set out below:

	Number of share options	2022 Weighted average exercise price (in pence)	Number of share options	2021 Weighted average exercise price (in pence)
Outstanding at beginning of year	117,880	294.5	182,598	295.7
Forfeited during the year	(55,425)	296.7	(64,718)	297.9
Exercised during the year	(4,475)	296.2	-	-
Outstanding at the end of the year	57,980	292.2	117,880	294.5
Exercisable at the end of the year	57,980	292.2	117,880	294.5

9. Share-based payments (continued)

B. Unapproved Share Option Scheme ('USOS')

The Unapproved Share Option Scheme is a discretionary option scheme under which the Remuneration Committee of H&T Group plc may grant options to all executive Directors and senior management of the Company. The Remuneration Committee of H T Group plc sets the performance conditions.

Exercise of an option is subject to continued employment over a three year period from the date of the grant. Early exercise of the options is permitted if an option holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company.

The options outstanding at the year-end were as follows:

	Grant date	Exercise price Pence	Number of shares	Earliest date of exercise	Expiry date
USOS 2013	March 2013	292.3	4,108	28/03/2016	27/03/2023

The Company did not issue any share options during 2014 - 2022.

A reconciliation of option movements for the USOS is set out below:

	Number of share options	2022 Weighted average exercise price (in pence)	Number of share options	2021 Weighted average exercise price (in pence)
Outstanding at beginning of year	25,418	293.9	33,557	295.0
Forfeited during the year	(8,933)	297.0	(8,139)	298.5
Exercised during the year	(12,377)	292.3	-	-
Outstanding at the end of the year	4,108	292.3	25,418	293.9
Exercisable at the end of the year	4,108	292.3	25,418	293.9

9. Share-based payments (continued)

C. Performance Share Plan ('PSP')

The PSP is a discretionary share incentive scheme under which the Remuneration Committee of H&T Group plc can grant ordinary shares at no cost to executive Directors and other senior management.

2020 PSP scheme

On 11 November 2020 a PSP scheme was put in place. There are currently 9 senior managers who are participants of the scheme, and nil Executive Directors. The maximum number of potential shares awarded under the scheme will be 426,908, including nil for the Executive Director and 39,591 for the previous Executive Director.

There is a three-year performance period to 31 December 2022 with the shares subject to the PSP awards being released during the following year subject to continued employment and the satisfaction of certain specific performance conditions. The awards are further subject to claw back and malus provisions.

The performance conditions for the awards are based on achieving growth in Total Shareholder Return over a three-year period at between 30.0% and 41.0% and Earnings per Share growth over the same three-year period at between 0.0% and 21.0%; there is a two-year retention period thereafter.

Early exercise of the conditional shares in respect of the schemes is permitted if a share award holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company.

The scheme has achieved the maximum Total Shareholders Return performance criteria by realising a Total Shareholders Return over the three-year period of 53%. The Earnings per Share growth criteria has not been achieved. Based on achieved criteria, 50% of the scheme will vest.

2021 PSP scheme

On 14 May 2021 a PSP scheme was put in place. There are currently 9 senior managers who are participants of the scheme, together with 1 Executive Director. The maximum number of potential shares awarded under the scheme will be 366,053, including 150,485 for the Executive Director.

There is a three-year performance period to 31 December 2023 with the shares subject to the PSP awards being released during the following year subject to continued employment and the satisfaction of certain specific performance conditions. The awards are further subject to claw back and malus provisions.

The performance conditions for the awards are based on achieving growth in Total Shareholder Return over a three-year period at between 64.5% and 84.0% and Earnings per Share growth over the same three-year period at between 20.2% and 57.0%; there is a two-year retention period thereafter.

Early exercise of the conditional shares in respect of the schemes is permitted if a share award holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company.

2022 PSP scheme

On 12 May 2021 a PSP scheme was put in place. There are currently 16 senior managers who are participants of the scheme, together with 2 Executive Director. The maximum number of potential shares awarded under the scheme will be 435,045, including 194,424 for the Executive Director.

There is a three-year performance period to 31 December 2024 with the shares subject to the PSP awards being released during the following year subject to continued employment and the satisfaction of certain specific performance conditions. The awards are further subject to claw back and malus provisions.

The performance conditions for the awards are based on achieving growth in Total Shareholder Return over a three-year period at between 65% and 91% and Earnings per Share growth over the same three-year period at between 117% and 164%; there is a two-year retention period thereafter.

Early exercise of the conditional shares in respect of the schemes is permitted if a share award holder ceases to be employed by reason of death, injury, disability, retirement or sale of his employing company.

10. Intangible assets

	Goodwill £'000	Software £'000	Customer relationships £'000	Total £'000
Cost				
At 1 January 2021	15,470	1,228	6,586	23,284
Additions	-	158	-	158
Disposals	-	-	-	-
At 31 December 2021	15,470	1,386	6,586	23,442
Additions	12	1,679	73	1,764
Disposals	-	-	-	-
Reallocation	-	1,129	-	1,129
At 31 December 2022	15,482	4,194	6,659	26,335
Accumulated amortisation				
At 1 January 2021	5,547	982	4,102	10,631
Charge for the year	-	176	819	995
Disposals	-	-	-	-
At 31 December 2021	5,547	1,158	4,921	11,626
Charge for the year	-	142	580	722
Disposals	-	-	-	-
At 31 December 2022	5,547	1,300	5,501	12,348
Net book value				
At 31 December 2022	9,935	2,894	1,158	13,987
At 31 December 2021	9,923	228	1,665	11,816

The customer relationships intangible assets arise from the acquisition of trade and assets of sole partnerships or limited companies with no audited financial statements and reflect the repeat business associated with the pawnbroking industry from existing customers at the acquisition date of the relevant assets.

The amortisation period for customer relationship intangible assets is between 6 and 8 years and the amortisation period for software intangible assets is 7 years. These amortisation periods reflect the Directors' best estimate of the estimated useful economic lives of these intangible assets.

11. Property, plant and equipment

	Short leasehold premises £'000	Long leasehold premises £'000	Motor Vehicles £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation						
At 1 January 2021	29,651	424	81	2,669	5,645	38,470
Additions	3,953	349	18	320	530	5,170
Disposals	(547)		(11)	-	(26)	(584)
At 31 December 2021	33,057	773	88	2,989	6,149	43,056
Additions	4,950	49	90	287	804	6,180
Disposals	(598)	-	(26)	(1)	(14)	(639)
Reallocation	(761)	(368)	-	-	-	(1,129)
At 31 December 2022	36,648	454	152	3,275	6,939	47,468
Accumulated depreciation and impairment						
At 1 January 2021	23,797	242	44	1,373	4,379	29,835
Charge for the year	1,695	150	18	454	349	2,666
Disposals	(515)	-	(8)	-	(23)	(546)
At 31 December 2021	24,977	392	54	1,827	4,705	31,955
Charge for the year	2,440	21	28	396	367	3,252
Disposals	(588)	-	(26)	(1)	(14)	(629)
Reallocation	146	(146)	-		-	-
At 31 December 2022	26,975	267	56	2,222	5,058	34,578
Carrying amount						
At 31 December 2022	9,673	187	96	1,053	1,881	12,890
At 31 December 2021	8,080	381	34	1,162	1,444	11,101

11. Property, plant and equipment (continued)

Right-of-use assets

	Total
	£'000
Cost or valuation	
At 1 January 2021	51,321
Additions	4,082
Disposals	(4,411)
At 1 January 2022	50,992
Additions	5,790
Disposals	(6,416)
At 31 December 2022	50,366
Accumulated depreciation and impairment	
At 1 January 2021	32,984
Charge for the year	5,071
Disposals	(4,284)
Impairment	(179)
At 1 January 2022	33,592
Charge for the year	5,259
Disposals	(6,378)
Impairment	(256)
At 31 December 2022	32,217
Carrying amount	
At 31 December 2022	18,149
At 31 December 2021	17,400

12. Deferred tax assets

Deferred tax is provided as follows:

	PPE differences £'000	Short-term timing differences £'000	Share based payments £'000	Total £'000
At 1 January 2022	139	1,383	204	1,726
Prior year adjustment	(313)	-	-	(313)
Credit/(debit) to income	(755)	(303)	70	(988)
Debit to equity	-	-	435	435
At 31 December 2022	(929)	1,080	709	860

Deferred tax assets and liabilities all relate to the same tax jurisdiction and taxable entities and are expected to reverse over the same time periods. Accordingly, these have been offset in the balance sheet.

The chancellor indicates that the long-term rate will increase to 25% from 2023.

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary difference.

13. Inventories

	2022 £'000	2021 £'000
Finished goods for resale/scrap	35,039	28,421

Of the retail and scrap inventory, 99.1% (2021: 99.2%) represents gold, jewellery and watch items. The remaining balance is miscellaneous items (mostly electrical goods and art pieces) which were previously held as pledge collaterals and subsequently forfeited.

14. Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	101,498	70,038
Other receivables	776	105
Corporation Tax receivable	-	986
Prepayments and accrued income	1,392	1,011
Deferred debt issue cost	221	306
	103,887	72,446

Trade and other receivables are disclosed net of impairment.

The pledge loan book of £100.7m (2021: £66.9m) and personal loan book of £0.7m (2021: £3.1m) are included, net of provisions, within the trade receivables balance.

15. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	2,130	2,898
Amount owed to parent company	18,369	7,788
Other taxation and social security costs	1,174	833
Accruals and deferred income	5,647	5,773
	27,320	17,292

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 28 days (2021: 31 days). For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. Trade and other payables (continued)

Lease liabilities	2022 £'000	2021 £'000
Current liabilities	3,732	3,191
Non-current liabilities	15,436	15,792

At the balance sheet date, the Company had outstanding lease commitments, which fall due as follows:

	2022 £'000	2021 £'000
Within one year	3,732	3,191
In the second to fifth years inclusive	13,478	12,557
After five years	1,958	3,235
	19,168	18,983

	2022 £'000	2021 £'000
Current tax liabilities	956	400

16. Borrowings

	1 January 2022 £'000	Cash flows £'000	Non-cash changes £'000	31 December 2022 £'000
Bank Loan	-	15,000	-	15,000
Total	-	15,000	-	15,000

As at 31 December 2022 the key terms of the Lloyds Bank plc facility were:

Key Term	**Description – Revolving Credit Facility**
Total Facility Size	£30m
Termination Date	22 December 2025
Utilisation	The facility is available to be drawn down to the full £30m so long as the Company remains compliant with leverage and interest cover ratios as stipulated in the Credit Agreement.
Margin	The facility has an interest calculation of SONIA plus a margin of between 1.7% and 2.45%, dependent on ratios as stipulated in the Credit Agreement.
Interest Payable	Interest due on the loans is payable at each interest period end. Interest amounts outstanding at the year-end are included in accruals.
Repayments	Capital repayments are permitted prior to termination date for the whole or any part of the loan

Key Term	**Description – Annual Overdraft Facility**
Total Facility Size	£5m
Termination Date	22 December 2023
Utilisation	The facility is available to be drawn down to the full £20m so long as the Company remains compliant with leverage and interest cover ratios as stipulated in the Credit Agreement.
Margin	The facility has an interest calculation of the Bank of England base rate plus a margin of 1.7%
Interest Payable	Interest due on the loans is payable at each interest period end. Interest amounts outstanding at the year-end are included in accruals.
Repayments	Capital repayments are permitted prior to termination date for the whole or any part of the loan

Deferred debt issue costs

There were £221,000 of deferred debt issue costs written off in the period to the Company statement of comprehensive income (2021: £194,000).

Security

The facility is secured by a fixed and floating charge and security over all of the assets of the wider H&T Group plc.

Undrawn borrowing facilities

At 31 December 2022, the Company had available £15,000,000 (2021: £15,000,000) of undrawn committed borrowing facilities and £5,000,000 of uncommitted (2021: £20,000,000) in respect of which all conditions precedent had been met.

17. Long term provisions

	Provision for reinstatement £'000	Provision for redress costs £'000	Total Provision £'000
At 1 January 2021	1,649	-	1,649
Additional provision in the year	103	2,099	2,202
Provision utilised in the year	(24)	-	(24)
At 1 January 2022	1,728	2,099	3,827
Additional provision in the year	66	(57)	9
Provision utilised in the year	(21)	(1,669)	(1,690)
At 31 December 2022	1,773	373	2,146

The reinstatement provision represents management's best estimate of the Company's liability to repair and maintain certain of the properties. At the reporting date no demand to enforce the contractual obligations has been made by the related property landlords.

18. Called-up share capital

	2022 £'000	2021 £'000
Allotted, called-up and fully-paid		
15,000,002 (2021: 15,000,002) ordinary shares of £1 each	15,000	15,000

The Company has one class of ordinary shares which carry no right to fixed income.

19. Retirement benefit scheme

Pension costs

The Company operates a self-administered pension scheme providing money purchase benefits based on the contributions paid to the Scheme. The assets of the Scheme are held separately from those of the Company.

The total pension cost for the Company during the year was £809,000 (2021: £751,000). Outstanding pension contributions at 31 December 2022 amounted to £83,000 (2021: £66,000).

Defined contribution scheme

The Company operates a defined contribution pension scheme. The amount charged to the Profit and Loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

20. Controlling party

The Company's parent company is H&T Group plc, which is incorporated in England & Wales. H&T Group plc heads the smallest and largest group to consolidate the results of the Company and is considered by the Directors to be the controlling entity.

Copies of the consolidated financial statements of H&T Group plc are available from their registered office: Times House, Throwley Way, Sutton, Surrey, SM1 4AF.

21. Guarantees

The pledge loan book of the Company, included in trade debtors, serves as a guarantee for the bank loan facility. The balance outstanding at 31 December 2022 on the loan facility is £15,000,000 (2021: Nil).

22. Acquisitions

Acquisition of Swiss Time Services Limited

On 1 July 2022, Harvey & Thompson Limited acquired the entire share capital of Swiss Time Services Limited ('STS'), a UK-based company operating in the watch servicing and repair industry, for total consideration of £4.3m and shown as an Investment in the Balance Sheet.

	2022 £'000	2021 £'000
Investments	4,328	-

There following asset purchase acquisitions were made during the year:

	Acqn 1 2022 £'000	Acqn 2 2022 £'000	Total 2022 £'000	Total 2021 £'000
Assets				
Goodwill	11	1	12	-
Intangible assets	4	69	73	-
Inventory	15	-	15	-
Trade receivables	17	255	272	-
Total assets acquired	47	325	372	-
Total consideration:				
Cash	47	325	372	-
Net cash outflow arising on acquisition				
Cash consideration	47	325	372	-
Less: cash balances acquired	-	-	-	-
Total assets acquired	47	325	372	-

22. Acquisitions (continued)

Acquisition 1

On 3 May 2022, the Company acquired trade and assets from Worth of London Ltd for total consideration of £47k. The fair value of financial assets includes trade receivables measured in accordance with IFRS 9 and intangible assets which have been valued by the Company based on discounted cash flows.

Acquisition 2

On 5 July 2022, the Company acquired trade and assets from MyBond pawnbrokers Ltd for total consideration of £325k. The fair value of financial assets includes trade receivables measured in accordance with IFRS 9 and intangible assets which have been valued by the Company based on discounted cash flows.

23. Capital commitments

There is no significant capital expenditure authorised and contracted for but not provided in the accounts (2021: £nil).

24. Contingent Liabilities

There were no contingent liabilities that were not provided in these financial statements.

25. Non-recurring expenses

A provision of £2.1m was raised during the year ended 31 December 2021, as required under IAS37. This was an estimate of the future cost of the redress programme, in respect of the regulatory review of the Company's HCST loans business. This cost was one-off in nature; it was disclosed as a non-recurring expense.